



Remarks For

The Hon. Steven C. Preston
Administrator
U.S. Small Business Administration

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Thank you, Dick for the nice introduction.

Thanks also to the Leadership Trust for inviting me to join you today.

It is a pleasure to be among so many advocates of small business. Thank you, Lisa Goeas, who pulled this group together this evening. I also want to thank Mary Blasinsky, Todd Stottlemeyer, and Dan Danner who each work tirelessly to represent and advocate on behalf of America's small businesses. I understand I need to talk fast, because Todd is trying to finish up in time to catch the first pitch of tonight's Yankees/Red Sox game.

Small Business Week

This is an exciting and busy week for the SBA as today is the eve of our Small Business Week celebration here in DC. While this will be **my** first Small Business Week, since 1963, every President has declared National Small Business Week to formally recognize the significant role of America's small business community, and the SBA has recognized exceptional entrepreneurs for their contributions to the nation's economy and for their personal achievements in the areas of disaster recovery, procurement and entrepreneurial success.

Our Small Business Week award winners illustrate first hand how SBA's programs and services expand entrepreneurial opportunities for millions of Americans.

We all know that because of the jobs they generate, the economic activity they drive and the innovation they create, small business ownership

allows people to realize dreams, not only for the owners and their families, but for those they employ and those they serve.

Last night I was at the White House correspondents' dinner, where I chatted with John McLaughlin. I was reminded of when I was on his ½ hour show a few months ago when he commented that I was, in my role, charged with being the biggest advocate for small business in the Federal Government. I told him that I believe that our President already holds that title. He recognizes not only the tremendous value that small business plays in our economy and in our society, he also recognizes that the road to business ownership can be bumpy.

The President has often said that the role of government is to create and sustain an environment which allows small businesses to flourish and grow, and he has been a tireless on issues most important to the small businesses of our country – access to affordable health care, fair tax policy, and a fair regulatory standards.

I continue to be hopeful that the Congress will allow your work on Small Business Health Plans legislation to bear fruit. NFIB deserves public recognition for continuing to lead this fight.

There is no logical reason why small businesses in our country should not be able to band together in private associations and leverage better benefits

for you and your employees – many of whom may not have access to affordable health care today. It doesn't cost the taxpayer a penny. It just allows small businesses to compete for services on a more level playing field.

The President has also been a champion of expanding Health Savings Accounts, which are a different but still a solid solution that needs to be expanded. And more recently, the President has proposed making health care premiums, up to a certain level, tax deductible for all Americans, whether or not those are in the form of employer compensation or paid for by the individual. It would, once again, put everyone on the same playing field and give more affordable access to those Americans outside the system today.

The President has also made permanent tax relief a top priority. The tax relief enacted during this Administration, including the tax relief benefiting America's small businesses, is scheduled to expire over the next several years. Raising taxes on small businesses will hurt economic growth and job creation. We have to work to make these reforms lasting.

How Does SBA Assist Small Business

Let me turn my attention back to the SBA. Many of you may not know that some of the best known corporate icons, received help from the SBA at critical times in their early development: Intel, AOL, Outback Steakhouse,

Apple, Amgen, Ben & Jerry's, Callaway Golf, Staples, Under Armour, NIKE, and FedEx all received help from one of SBA's programs.

Today, the SBA continues to help entrepreneurs in so many ways. For example:

- The SBA guarantees or extends more than \$78 billion in loans and investments to small businesses and homeowners;

Last year, over 100,000 small businesses received capital through an SBA program, which, by the way, are largely self-funding. Most of those recipients would not have access to affordable capital without the help of the SBA. Since 2001, our lending programs have doubled and lending to minority entrepreneurs has increased over 150 percent.

- Last year, SBA and its technical assistance partners counseled nearly 1.5 million entrepreneurs; that is up 40% over the same period. Our website received 26 million hits and has won government-wide recognition for its look, feel and usability.
- We assist and advocate for small businesses in their efforts to win contracts from the Federal Government—a source of over \$80 billion in revenue for small businesses.

As I tell people time and again, treating small businesses right in federal contracting is not only an issue of fairness. It is an issue of

good business. Small businesses are often more competitive, more flexible and deliver a higher quality product or service. They are just a little tougher to find.

- Through the Office of Advocacy, SBA helps protect small business from harmful new government regulations, and through its National Ombudsman, it helps small business deal with unfair application of existing regulations.

Office of Advocacy

Considering that most of you know the Office of Advocacy so well, I would like to share with you, in more detail, some of what the head of the office, Tom Sullivan has accomplished in the past year.

- Through the Office of Advocacy, the SBA helps to make sure small business has a voice, so their needs, concerns, issues, and priorities are not lost in Washington. The Office of Advocacy saves small business billions of dollars by encouraging government agencies to write regulations in a way that maximizes their benefits while minimizing their costs on small business. Under the Regulatory Flexibility Act and subsequent amendments, federal agencies are required to consider the effects of their proposed regulations on small firms and examine alternatives that would minimize these impacts.

- Last year, Advocacy sent more than 40 public comment letters to federal agencies detailing small business concerns about proposed regulations.
- Cost savings were realized by changes to 16 regulatory proposals that were finalized last year. These interventions saved small businesses \$7.25 billion in first-year costs and \$117 million in annually recurring savings.
- Advocacy produced over 20 reports in 2006 alone that document the role entrepreneurs play in the economy. This is key information that is used in policy making throughout the Federal government.

That research demonstrates both the value of the small business to our country and the issues they face:

- Small firms are responsible for 60 to 80 percent of all new jobs—not bad considering our country has created over 7 ½ million new jobs in 3 ½ years—more than the other industrialized nations combined.
- They represent about half of the non-farm economy
- Small patent-producing firms produce 13 to 14 times as many patents per employee than large firms.
- However, small business produce these results while paying 45 percent more per employee to comply with regulations than

large business (500 or more employees) -- \$7,647 versus \$5,282 per employee.

I also highly encourage you -- if you have not already done so -- to contact any one of our 10 regional advocates located across the country.

These individuals serve as a direct link between you, state and local government agencies, state legislators and even other small business associations to get to the heart of regulatory matters impeding in our states.

The head of the office was picked by President Bush because he knows small business so well. But then Tom should, since he was working at NFIB at the time.

Office of the National Ombudsman

Another key part of the SBA is the Office of the National Ombudsman which acts as a champion for small businesses that have complaints of ongoing unfair or excessive regulatory enforcement.

Since last July, that office has conducted 16 hearings and roundtables across the country, received 289 comments from small business entities, and issued 421 responses to the public. There are scheduled hearings and

roundtables coming up soon in several locations. You can contact the Ombudsman's Office for dates and locations.

In addition, the Office of the National Ombudsman works with each federal agency with regulatory authority over small business to ensure that small business concerns that receive or are subject to an audit, on-site inspection, compliance assistance effort, or other enforcement-related communication are provided a means to comment on the enforcement activity.

- The Office of the National Ombudsman also has 10 Regional Regulatory Fairness Enforcement Boards (RegFair) consisting of small business owners or officials that are located throughout the country and serve 3-year terms.
- They are empowered to hold hearings, promote the National Ombudsman program and receive comments from local businesses dealing with unfair or excessive federal regulatory enforcement.
- The Ombudsman's Office appreciates receiving nominations for these Boards to replace any future openings and I would encourage you all to do so.

Strong advocacy and strong representation for Small Business is essential to ensure the health of this powerful engine to our economy. That is why I am so thankful for NFIB, for your long support —in Congressional

testimony, in the press, and in numerous speeches around the country -- of the Office of the National Ombudsman for Small Business, and the Regulatory Fairness Program.

I know quite a few of you do work closely with the Ombudsman and the Office of Advocacy. I strongly recommend that you engage with your Regional representative of both offices. They really are two of the best ways to affect change to burdensome regulations.

Reforms/Operations

We have talked a lot about the essential work that NFIB and we and others do to address important policy issues faced by small business. But as the head of a federal agency that oversees a number of large, far-reaching programs, I want to talk a bit about the importance of good management in the federal government.

Admittedly, I came to this role with a bias toward operational solutions—I came to this role 9 months ago after 24 years in the private sector. But it appears to me that when there is a problem in government, there is generally a bias toward addressing it with a new policy, a new law, or a call for burdensome oversight, when the solution may be fixing a process – that is, an operational solution.

We are addressing the many of the challenges and opportunities in the agency on the foundation of four guideposts. We need to be an agency that is:

1. Outcomes Driven
2. Customer Focused
3. Employee enabled
4. Tight Ship—efficient, accountable and transparent.

That is the basis upon which we tackled the challenges we faced in our disaster program.

In the wake of the 2005 hurricanes, the SBA was simply overwhelmed trying to respond to the demand for construction loans. When I came into the agency last summer, we had 120,000 people who were somewhere in our processes waiting for a loan, almost a year after the hurricane hit. People who were desperately trying to get their lives back.

To accelerate the distribution of funds, it was clear we needed to eliminate bottlenecks in certain areas, reduce errors and rework, and provide a more responsive and compassionate face to the disaster victims.

Last Fall, we fully redesigned our workflow from a production line with inadequate coordination and communication between functions to 15

person functionally-integrated teams. We moved 1,300 staff to support this new process. Each borrower has a relationship manager who understands their issues and can advise and assist them through the process.

We contacted over 90,000 borrowers in the Gulf Coast region to reestablish those relationships. We have also instituted much tighter tracking and management of outcomes and improved our response time by almost 90 percent.

Of 160,000 applicants with approved loans from the 2005 hurricanes, 98 percent have now either received all or some of their loan money, or have chosen not to proceed with their loans, generally because they secured funds elsewhere.

We are taking the same philosophies to apply to our lending and contracting programs. I have said it many times, we may have the greatest programs around, but if they are hard to use, if they are not responsive to our customers and partners, or if they are inefficient, it will dramatically impair their value.

I had a colleague that used to call this concept the “service around the service”. The service may be a bank guarantee. But the service around the service may be ease of use or speed of response, and often, that is just as valuable as the service itself.

We have fully retooled our management team and launched a number of initiatives around these concepts, which we simply refer to as our Reform Agenda.

Let me turn a moment to important work we have done for small business in the federal contracting arena. In June, we will implement a recertification rule requiring companies with long-term contracts to recertify their small business size status at the end of the first five years of a contract and every time an option is exercised after that. In addition, whenever a small business merges with another business, it must recertify its size status for all its contracts.

This is an important reform which helps level the playing field for you and other small businesses who are seeking procurement opportunities.

We have also hired more contracting staff to help small businesses identify small business contract opportunities. In addition, I believe that what gets measured gets managed, so we're in the process of implementing a Small Business Procurement Scorecard. This Scorecard will measure all federal agencies on their small business contracting performance and grade them on their performance. Finally, we are nearing a completion on an initiative to improve the accuracy of reporting for small business procurement by federal agencies—we have too many

errors in the system today and we have to ensure that contracts coded as small business are, in fact, going to small businesses.

My Vision

Finally, an issue I feel very strongly about is the value that small business ownership can bring to places in our country that have not shared in the success that so many of us enjoy — areas of our country where we find high unemployment and poverty levels. Starting this week, every SBA office throughout the country will have a goal related to improving the flow of capital to businesses that are located in underserved markets in our country. I believe that by encouraging business formation in these areas, we can help drive job creation, economic activity and investment in a way that can change the game and bring lasting change to places in our country that need it the most—for the benefit of us all. I also encourage all of you to consider serving as a mentor or a source of other support to groups dedicated to this cause, or even considering such locations to expand your business or locate a new operation.

Conclusion

In closing, I just want to say that we serve a noble cause; our goals are mutual -- a continuation of the sound economic policies that have fostered an environment where innovation succeeds and small businesses flourish, fuel our economy, and create more jobs for American workers.

We have every right to expect the new Congress to advance an environment that supports small businesses by:

- cutting taxes and keeping them low;
- reducing more of the government's burdensome regulations;
- opening more international markets to small businesses, and
- making it easier for small businesses and their employees to have access to health care.

I would like to thank you for your support of our mutually held goals that are so important for the future of this Nation.